

Message Text

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ACTION AF-10

INFO OCT-01 EUR-12 EA-10 NEA-10 IO-13 ISO-00 EB-08
COME-00 TRSE-00 OMB-01 AID-05 XMB-02 SS-15 SP-02
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FM AMEMBASSY KHARTOUM
TO SECSTATE WASHDC 7753
INFO AMEMBASSY ABU DHABI
AMEMBASSY BONN
AMEMBASSY CAIRO
AMEMBASSY BAGHDAD
AMEMBASSY KUWAIT
AMEMBASSY PARIS
AMEMBASSY TOKYO
AMEMBASSY JIDDA

C O N F I D E N T I A L KHARTOUM 3008

E.O. 11652: GDS
TAGS: EFIN, EAID, SU
SUBJECT: ECONOMIC ASSISTANCE FOR SUDAN

REF: STATE 160193

SUMMARY: APPARENTLY AS DISGUISED BOP SUPPORT, SAUDI ARABIA HAS AGREED TO SELL SUDAN 2 MILLION TONS OF CRUDE WORTH ABOUT 200 MILLION DOLLARS DURING NEXT 12 MONTHS. DONORS ARE PROVIDING ASSISTANCE WHICH SHOULD BE MORE THAN SUFFICIENT TO COVER PROJECTED 300 MILLION DOLLAR DEFICIT IN CURRENT ACCOUNT IN FY 78-79. HOWEVER, PROBLEM OF ACCUMULATED ARREARAGES OF MORE THAN 850 MILLION DOLLARS REMAINS. FOLLOWING USG DEMARCHES IN SUPPORT OF ADOPTION OF IMF PROGRAM, THERE WILL BE INCREASING PRESSURES FOR U. S. TO MAKE SPECIFIC COMMITMENTS FOR BOP SUPPORT. END SUMMARY

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1. AT JULY 4TH RECEPTION ACTING GOVERNOR OF BANK OF SUDAN (BOS), HASSAN BASHIR, ASKED ACTING DCM TO CALL ON HIM AFTER EXPRESSING SOME CONCERN ABOUT LACK OF DEFINITE RESPONSE FROM SAUDI ARABIA AFTER SUDAN'S ADOPTION OF IMF REFORM PROGRAM. ON JULY 6 VISIT TO BOS, BASHIR DISCLOSED THAT SAUDI ARABIA HAD AGREED TO SUPPLY 2 MILLION TONS OF ARABIAN HEAVY CRUDE WORTH ABOUT 200 MILLION DOLLARS

DURING COMING YEAR. BASHIR SAID THAT CRUDE WOULD BE SUPPLIED ON BASIS OF "LONG TERM CREDIT WHICH PROBABLY WILL BECOME A GRANT." SUDAN MUST PAY FREIGHT WHICH IS TO BE ARRANGED THROUGH SAUDI FREIGHT FORWARDER. SUDANESE TEAM IS PRESENTLY IN SAUDI ARABIA NEGOTIATING SHIPPING ARRANGEMENTS.

2. ACTING DCM SUGGESTED THAT THIS SUPPLY ARRANGEMENT COULD BE INTENDED AS SAUDI BOP SUPPORT CONNECTED WITH SUDAN'S ADOPTION OF IMF PACKAGE. BASHIR ACKNOWLEDGED THAT THIS MIGHT BE SO, BUT HE HAD RECEIVED NO INDICATION OF LINKAGE. HOWEVER, WHEN QUESTIONED ABOUT NEGOTIATIONS FOR CREDIT, HE SAID THAT HE BELIEVED PRELIMINARY AGREEMENT HAD BEEN REACHED DURING NIMEIRI'S JUNE 6-8 VISIT TO SAUDI ARABIA IMMEDIATELY PRIOR TO ANNOUNCEMENT OF DEVALUATION. BASHIR CONFIRMED THAT MINFIN OSMAN HASHIM PLANS TO VISIT SAUDI ARABIA NEXT WEEK AND THAT HIS VISIT SHOULD SHED FURTHER LIGHT ON SAUDI INTENTIONS.

3. RE ARAB MONETARY FUND, EXECUTIVE DIRECTOR FOR EGYPT AND SUDAN HAD JUST COMPLETED VISIT TO SUDAN. SUDAN IS ELIGIBLE FOR IMMEDIATE AUTOMATIC DRAWING OF SDR 6.75 MILLION AND ITS ACCEPTANCE OF IMF PROGRAM PROBABLY WILL ENTITLE IT TO DRAW ANOTHER SDR 6.75 MILLION WHICH WILL MAKE ITS DRAWINGS EQUAL TO 150 PERCENT OF ITS PAID IN QUOTA. BASHIR SAID AMF DRAWINGS CURRENTLY ARE SEVERELY LIMITED BECAUSE OF AMF LIMITED RESOURCES AND SUDAN HAS

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ONLY PAID 25 PERCENT OF ITS QUOTA (AS WE UNDERSTAND IT, QUOTA IS PAYABLE IN FOUR ANNUAL INSTALLMENTS).

4. FURTHER BOP ASSISTANCE WILL BE PROVIDED BY OTHER COMMODITY LOANS. BASHIR WAS NOT SURE OF DETAILS, BUT SAID THAT IBRD WAS GOING FORWARD WITH SDR 20 MILLION COMMODITY IMPORT PROGRAM WHICH HAS BEEN TIED TO ADOPTION OF IMF PACKAGE. IN ADDITION, AGREEMENTS HAVE JUST BEEN SIGNED WITH KUWAIT AND ABU DHABI FOR COMMODITY LOANS WHICH WILL BE USED TO PURCHASE SPARES FOR RAILROAD. RESPECTIVELY, THESE LOANS ARE FOR APPROXIMATELY SDR 15 MILLION AND SDR 8.25 MILLION. BASHIR SAID THAT IBRD, KUWAIT AND ABU DHABI CREDITS WERE NOT PART OF LARGER ALREADY ANNOUNCED 155 MILLION DOLLAR IBRD RAILROAD PROJECT AND WILL DIRECTLY SUPPORT BOP.

5. DURING COMING YEAR OTHER BOP ASSISTANCE WILL BE AVAILABLE FROM FRG, FRANCE AND JAPAN UNDER EXISTING AGREEMENTS. BASHIR MENTIONED THEY WILL BE ABLE TO PURCHASE DM 88 MILLION FROM WEST GERMANY, FF 100 MILLION FROM FRANCE AND 3 BILLION YEN FROM JAPAN.

6. COMMENT: BASHIR'S MESSAGE IS CLEAR BUT NOT EXPLICIT-- OTHERS ARE COMING FORWARD WITH SUPPORT AFTER ADOPTION OF DIFFICULT IMF REFORMS AND WHAT WILL USG DO, PARTICULARLY SINCE USG STRONGLY PUSHED FOR ADOPTION OF IMF PROGRAM. IN LIGHT OF THIS CONVERSATION, AMBASSADOR'S INSTRUCTIONS (REFTEL) TO MENTION TO NIMEIRI THAT USG APPLAUDS ACCEPTANCE OF IMF RECOMMENDATIONS IS PREPARED TO WORK WITH OTHER DONORS TO COORDINATE VARIOUS FORMS OF ASSISTANCE REQUIRED BY SUDAN APPEARS RATHER WEAK. AT THIS POINT, ONE CAN IMAGINE THAT ALREADY COMMITTED BOP SUPPORT INCLUDING SDR 21 MILLION IMF FIRST TRANCHE AND SDR 30 MILLION FROM TRUST FUND WILL BE SUFFICIENT TO COVER PROJECTED FY 78-79 CURRENT ACCOUNT DEFICIT OF SLIGHTLY MORE THAN 300 MILLION DOLLARS. HOWEVER, SUDAN STILL HAS ARREARAGES OF MORE THAN 850 MILLION DOLLARS
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OVERHANGING ECONOMY. ARRANGEMENTS WILL HAVE TO BE MADE WITH CREDITORS IN COMING MONTHS AND ADDITIONAL BOP SUPPORT WILL BE NECESSARY EVEN FOR A SUCCESSFUL RESCHEDULING.

7. ACTION REQUESTED: WE WOULD APPRECIATE FROM DEPARTMENT, KUWAIT AND ABU DHABI ANY ADDITIONAL INFORMATION AVAILABLE ON TRANSACTIONS DESCRIBED IN PARA 4. BERGUS

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